

PUBLIC DISCLOSURE

APRIL 14, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FIRST CHOICE CREDIT UNION

55 MARSTON STREET
LAWRENCE MA. 01831

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **FIRST CHOICE CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated " High Satisfactory "

A CRA rating of "High Satisfactory" is assigned. An institution in this group has a good record of ascertaining and helping to meet the credit needs of its membership, including low and moderate-income members, in a manner consistent with its resources and capabilities.

Since First Choice Credit Union is an industrial credit union, no geographic performance factors were evaluated. Instead, the following three performance criteria were considered: 1) Average Loan to Deposit (Share) Ratio, 2) Lending to Borrowers of Different Incomes and 3) Fair Lending.

The credit union's average net loan-to-deposit (share) ratio for the previous four semi-annual periods is 68.7 percent and exceeds the standards for satisfactory performance at this time.

An analysis of the credit union's lending activity by borrower income revealed that 28.8 percent of a sample of consumer loans was granted to low and moderate-income borrowers. The credit union was found to meet the standards for satisfactory performance under this criterion.

The credit union's fair lending performance is considered to exceed the standards for satisfactory performance due to the substantial amount of assistance, including loan workout and credit repair, the credit union has given to members experiencing credit problems and loan delinquencies.

When determining the overall rating, factors including the credit union's size, resources and staff limitations were also considered.

PERFORMANCE CONTEXT

Description of Institution

First Choice Credit Union is an industrial credit union chartered by the Commonwealth of Massachusetts in 1940. The credit union was established to serve the credit needs of the employees of the Bay State Gas Company. The credit union, formally named ELGASCO Credit Union merged with Lowell Electric Light Employees Credit Union on April 1, 2000 to become First Choice Credit Union. The credit union's sole office is located at 55 Marston Street, Lawrence, Massachusetts. Office hours are Monday through Friday 8:00AM to 3:30PM. The credit union's hours are considered convenient and accessible to its members.

As of December 31, 2002, the institution's total assets were \$6.1 million, with total loans in the amount of \$3.1 million, representing 50.8 percent of total assets. The following table depicts the credit union's loan portfolio composition based on the December 31, 2002 NCUA Call Report of Condition.

LOAN PORTFOLIO COMPOSITION		
LOAN TYPE	AMOUNT (\$000)	%
New and Used Vehicle	2,044	65.3
Personal Loans	684	21.9
Home Improvement	371	11.9
Share Secured	28	0.9
TOTALS	3,127	100%

The majority of the credit union's loan portfolio involves new and used vehicle loans, which represent \$2,044,000, or 65.3 percent of all loans. Personal loans comprise 21.9 percent, while home improvement loans represent 11.9 percent. Share secured loans make up the remainder of the portfolio representing 0.9 percent of the dollar volume of loans outstanding.

The credit union does not offer residential mortgages. Potential borrowers are referred to Allanach/Mortgage Group and Cumex Mortgage Service Center, which offer several loan products, which provide flexible lending terms for first-time homebuyers. The credit union has the option to "buy back" mortgages originated to members through an agreement with both Allanach/Mortgage Group and Cumex Mortgage Service Center.

Members are provided with direct deposit for payroll and automatic payroll deductions for loan payments.

Competition within the credit union's assessment area includes a variety of community based and industrial credit unions, small loan companies, and community banks. Given its asset size and financial capacity, First Choice Credit Union has been successful in helping to meet the credit needs of its membership.

The Division of Banks last conducted a CRA examination on April 19, 1999, which resulted in the First Choice Credit Union receiving a "Satisfactory" CRA rating.

Description of Assessment Area

The Community Reinvestment Act (CRA) regulation requires that each financial institution delineate one or more assessment area(s) within which the institution's record of helping to meet community credit needs is evaluated. Under the Massachusetts CRA Regulation, 209 CMR 46.41(8), a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area. First Choice Credit Union, as an industrial credit union whose membership is based upon affiliation rather than geography, has elected to identify its assessment area in this manner.

First Choice Credit Union's by-laws state:" Membership in this Credit Union is limited to those who are employees and retirees of Bay State Gas Company, Northern Utilities and the New England Electric System and all entities that may result from mergers and/or acquisitions involving those companies as well as any subsidiary thereof and their immediate family. Eligibility shall also be open to employees and retirees of the Credit Union and their immediate family.

First Choice Credit Union has 1,230 current members.

PERFORMANCE CRITERIA

1. AVERAGE LOAN TO DEPOSIT (SHARE) RATIO

The first criterion evaluated is the credit union's average net loan to total deposit ratio. A review of First Choice Credit Union's net loan to share ratios for the period June 30,2001 through December 31,2002 was conducted during this examination. The average net loan to total deposit ratio over the period was determined to be 68.7 percent and is considered to exceed the standard for satisfactory performance.

A further analysis of First Choice Credit Union's net loan-to-deposit ratios for the period June 30, 2001 through December 31, 2002 was also conducted during this examination. The analysis utilized data from the institution's NCUA Statement of Condition.

FIRST CHOICE CREDIT UNION			
LOAN TO SHARE ANALYSIS			
Period	Net Loans(\$000)	Shares(\$000)	Ratio
June 2001	3,420,290	4,889,509	69.9%
December 2001	3,541,844	4,864,001	72.8%
June 2002	3,500,692	4,998,035	70.0%
December 2002	3,117,085	5,026,647	62.0%
	13,579,911	19,778,192	68.7%

The above table indicates that the credit union experienced an increase in loans between June and December 2001; however evidenced a decline during 2002. As the table shows, the credit union's loan portfolio exhibited a substantial decrease between the period June 2002 to December 2002. Management stated that the decrease was due in large part to the repayment of debt through mortgage refinancing, given the low interest rate climate.

Share balances, on the other hand, have exhibited a relatively steady increase from \$4.8 million to \$5 million over the period examined. Consequently, loan to deposit ratios, which hovered around the 70 percent level fell to 62.0 percent as of December 2002.

The following table provides net loan to share ratios for other industrial credit unions in close proximity to the City of Lawrence with similar asset sizes. The ratios shown are calculated from NCUA Call Reports of Condition as of December 31, 2002.

COMPARATIVE LOAN TO DEPOSIT RATIOS	
First Choice Credit Union	62.0%
Danvers Municipal CU	54.6%
Plan CU	50.4%
Middlesex-Essex Postal Employees CU	49.5%

The credit union's loan-to-share ratio is very good in comparison to the other comparable institutions included in the above table.

Based on the above information including the significant average loan-to-share ratio of 68.7 percent and the credit union's high standing in comparison to other similarly situated credit unions with similar asset sizes, First Choice Credit Union has shown a very good willingness to lend to its membership. In consideration of its capacity to lend, its asset size, the types of loans available, its limited resources and lending strategy and the credit union's loan to deposit ratio exceeds the standards for satisfactory performance.

2. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

The second performance criterion evaluates the extent to which the institution lends to borrowers of different income levels, particularly borrowers of low and moderate income. Consumer lending activities were analyzed to determine the institution's performance. The credit union's performance under this criterion was found to exceed standards for a satisfactory performance.

The distribution of consumer loan originations was reviewed and compared to the median Family Household Income (FHI) for the Metropolitan Statistical Area (MSA) in which the property is located (or the members resides) to determine borrower income levels. By definition, low income is considered to be income below 50 percent of median income, moderate-income between 50 percent and 79 percent of median income, middle-income between 80 and 119 percent of median income and upper-income at 120 percent or more of median income.

The credit union's member base is substantially diverse when considering location of personal residences. However, the majority of credit union members reside within the Lawrence area. Therefore for examination purposes, the Division utilized the Lawrence Metropolitan Statistical Area (MSA) Median Family Household Income (FHI) for 2001, 2002 and 2003. The Lawrence, MA MSA Median Family Household Income (FHI) for 2001 was \$64,100 for 2001, \$67,400 for 2002 and \$74,300 for 2003.

Consumer loans granted in 2001, 2002 and YTD April 14, 2003 were sampled and reviewed for borrower income levels. First Choice Credit Union originated 312 consumer loans totaling \$2,385,883 in 2001, 252 consumer loans totaling \$1,963,193 in 2002 and 51 consumer loans totaling \$383,609 YTD April 14, 2003. A sample of 66 loans totaling \$696,000 was taken to represent consumer lending for the current examination period.

The following table provides a breakdown of a sample of 66 consumer loans originated among the credit union's membership by applicant income level. This analysis indicated that 28.8 percent of the loans was granted to low- and moderate-income members; while the greatest percentage or 50.0 percent was granted to middle-income members. Fourteen loans or 21.2 percent were granted to members of upper-income.

The following table presents the results of the above analysis.

CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER BY NUMBER

% OF MEDIAN MSA INCOME	2001		2002		YTD 4/14/03		TOTAL	
	#	%	#	%	#	%	#	%
<50%	3	12.0	2	8.0	2	12.5	7	10.6
50% - 79%	7	28.0	1	4.0	4	25.0	12	18.2
80% - 119%	8	32.0	18	72.0	7	43.7	33	50.0
120% >	7	28.0	4	16.0	3	18.8	14	21.2
TOTAL	25	100%	25	100%	16	100%	66	100%

Source: In-House Files

The table below indicates that, by dollar amount, 25.1 percent of the consumer loans were to low- and moderate-income members, the highest amount or 49.6 percent was to middle-income members and 25.3 percent was to members of upper income.

**CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER
BY DOLLAR AMOUNT**

% OF MEDIAN MSA INCOME \\	2001		2002		YTD 4/14/03		TOTAL	
	\$000	%	\$000	%	\$000	%	\$000	%
<50%	33	10.8	21	7.8	4	3.6	58	8.3
50% - 79%	76	24.7	5	1.8	36	18.6	117	16.8
80% - 119%	98	31.9	190	70.4	57	63.7	345	49.6
120% >	106	32.6	54	20.0	16	14.1	176	25.3
TOTAL	313	100%	270	100%	113	100%	696	100%

Source: In-House Files

The credit union's lending has penetrated all income categories of its membership. It should be noted that the majority of the consumer loans are granted to single applicants. however, the comparison of income is made to median family income, which may have the tendency of slightly overstating the number of borrowers falling in low or moderate-income categories. Nevertheless the credit union has achieved a good distribution of loans among applicants of all incomes.

In conclusion, the distribution of this consumer loan sample by borrower income levels demonstrates that the credit union has made a good number of consumer loans to

moderate-income members, as well as borrowers in other income levels. Therefore, the credit union's performance under this criterion meets the standards for satisfactory performance.

REVIEW OF COMPLAINTS/FAIR LENDING POLICIES AND PRACTICES

A review of the public comment file revealed that the bank received no complaints pertaining to the institution's CRA performance since the previous examination.

The credit union's small size, restricted resources and financial situation limit its ability to meet the requirements of the Regulatory Bulletin 2.2-101, the Division's Fair Lending Policy. The credit union's staff training is adequate. The institution has developed a second review process in which all loans considered for denial are referred to the Credit Committee prior to issuing a notice of denial.

The credit union's marketing activity includes placing information on its credit products and services within the various offices in the BayState Gas Company. The credit union also includes statement stuffers in correspondence sent out to the membership and there are brochures located in the credit union's lobby. Also, during the orientation process for new employees, the human resources department provides a "New Member Packet" which includes all information related to the products and services available through the credit union. The credit union also considers those members who are no longer current employees of BayState Gas Company by sending them information related to banking and credit services.

The Division has noted that the credit union has shown substantial activity in assisting its membership who currently have delinquent or are trying to reestablish good credit. There were several instances where the credit union entered into "work-out" agreements with members for delinquent debt or where members were trying to re-establish credit after bankruptcies.

The criterion for the various types of credit offered, as well as the procedures for completing a loan application were reviewed during the examination. No practices intended to discourage applications were found.

Based on the foregoing information, particularly the credit union's proactive stance in dealing with the credit needs of its entire membership, the credit union is found to exceed the standards for satisfactory performance in this category.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

FIRST CHOICE CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **APRIL 14, 2003**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 19 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.